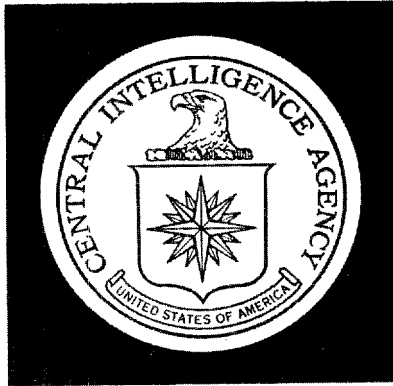


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*Panama: An uneasy calm has returned to Panama City after last night's rioting, but more trouble is likely today.

The long-awaited confrontation between the Robles government and Arnulfo Arias' National Union (NU) came yesterday afternoon when National Guardsmen prevented "President" Delvalle and his aides from entering the Assembly building. The Guard fired volleys of tear gas into a crowd accompanying Delvalle after stones and bottles were thrown. The gas spread into nearby slum areas, forcing hundreds to flee. Over 70 persons, many of them women and children, were treated for gas inhalation.

Incidents of arson, rock-throwing, and gunfire, directed chiefly against the Guard, quickly spread and, despite orders from General Vallarino, Guardsmen continued to use tear gas to break up angry crowds. By late evening the Guard had the situation under control in the downtown area, although there were reports of sporadic violence in other areas of the city.

Pro-Arias news media are making the most of what appears to have been an overreaction by the Guard. They are hammering away at the theme that the constitution is no longer in effect and that the Guard has, in effect, carried out a coup. Some radio stations are already charging that "Yankees of the Canal Zone" were "accomplices" of the Guard because they supplied the tear gas. There appears to be no immediate threat against the Canal Zone but one could quickly build if the NU decides to press an anti-US campaign.

NU leaders are again calling for a general strike and as a result of last night's violence some businesses may close today. Delvalle and several pro-Arias deputies plan a march through the downtown area this morning and some of the deputies reportedly will try to enter the Assembly building.

(continued)

During the five-week-old crisis, Arias and the elite families allied with him have shunned violence and stuck to a legal course to gain control of the electoral machinery. So far these tactics have failed to attract widespread public support. Events of the past three days, however, have pushed Arias and his followers into direct conflict with the Guard and a repeat of last night's incidents could rebound to their favor.

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*Communist China: Purges of high-level figures may be again under way in Peking.

According to foreign newsmen in the Chinese capital, massive demonstrations yesterday denounced three senior military officers as "plotters." The three men, not previously under serious attack, are Acting Chief of Staff Yang Cheng-wu, the air force political commissar, and the Peking garrison commander. Yang, who was appointed early in the Cultural Revolution, has appeared to be a protege of Defense Minister Lin Piao. The dismissal of Yang might thus reflect adversely on Lin and possibly on Mao.

The apparent disgrace of these prominent military figures could indicate that a major political power play is under way. Posters urging everyone to defend Mao Tse-tung, his wife, and Lin Piao are being displayed prominently along with the attacks on the three military men. One correspondent reports that many posters are being put up by soldiers, rather than by Red Guards as in past campaigns.

A tense atmosphere has been noted in Peking for many weeks. [redacted] soldiers carrying rifles with fixed bayonets have been patrolling the streets on foot and motorcycles. During the past month numerous big-character posters attacking civilian officials have been observed. Large numbers of troops and Red Guards have paraded and demonstrated almost daily since then against such long-discredited party leaders as Liu Shao-chi. One purpose of those demonstrations may have been to heat up the atmosphere and set the stage for the exposure of the military officials denounced on 26 March. [redacted]

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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Greece: The junta continues to hope its constitutional program will impress its allies and arouse domestic support.

After it offered a draft constitution for public discussion, the junta asked Washington and Bonn to remove restrictions on military aid. The government apparently believes that its move toward "constitutionalism" should convince friends of its good intentions.

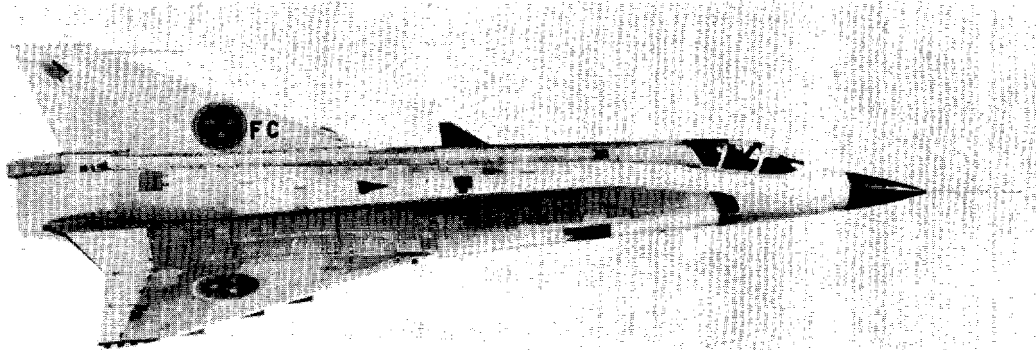
At the same time, the government is engaged in an extensive domestic campaign to elicit comment on the proposed constitution. The response has been limited. Negative reactions from some formerly prominent politicians suggest that they intend to boycott the constitutional debate and the referendum scheduled for 1 September.

The regime needs a significant success to arouse some enthusiasm from an otherwise uncommitted populace. The junta so far has failed to come up with reforms that would clearly benefit the general public, and its continuing dismissal of military, civil service, and university personnel has not lessened public apathy toward the junta.

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SWEDEN'S J-35 DRAKEN



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Denmark-Sweden: Denmark has become the first NATO country to buy jet fighters from a non-NATO country.

According to press reports, the Danes decided on 26 March to buy 23 Swedish J-35 Draken aircraft to replace their aging F-84s. A decision whether to purchase more planes will be made later.

The Draken is a supersonic single-seat jet fighter designed primarily to intercept bombers flying at nearly supersonic speeds. It is built by SAAB and has a speed of about Mach 2.

Details of the deal are not known yet, but the Swedes almost certainly granted liberal terms. The sale, Sweden's first of advanced aircraft to a foreign buyer, will give Stockholm impetus to continue aggressive sales efforts in the jet fighter market. The Swedes are currently focusing their efforts on Austria.

[REDACTED]

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NOTE

Brazil-France: The French are pressing their efforts to get into the Brazilian aviation market and have offered to install a factory to build Fouga-Magister jet trainers in Brazil. They are studying a proposal to have the factory also produce a conventional airplane of Brazilian design which would appeal to Brazilian nationalism and improve the factory's economic prospects. In addition, the Brazilian Air Ministry has agreed to exchange 20 of its Paris MS-760 jet trainers for seven Fouga-Magister trainers. [REDACTED]

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